

GIBSON, DUNN & CRUTCHER LLP

Richard M. Cieri (admitted *pro hac vice*)
Conor D. Reilly (CR-6559)
M. Natasha Labovitz (MNL-5153)
200 Park Avenue
New York, New York 10166-0193
Telephone: (212) 351-3800

HEARING DATE:

March 3, 2004 at 2:30 p.m.

OBJECTION DEADLINE:

February 25, 2004 at 4:00 p.m.

Attorneys for the Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

EPA Region 5 Records Ctr.



226624

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In re : Chapter 11
:
SOLUTIA INC., et al., : Case No. 03-17949 (PCB)
:
Debtors. : (Jointly Administered)
:
-----X

THIS NOTICE APPLIES TO:

<input checked="" type="checkbox"/> All Debtors	<input type="checkbox"/> Axio Research Corporation
<input type="checkbox"/> Solutia Inc.	<input type="checkbox"/> Solutia Investments, LLC
<input type="checkbox"/> Solutia Business Enterprises Inc.	<input type="checkbox"/> Beamer Road Management Company
<input type="checkbox"/> Solutia Systems, Inc.	<input type="checkbox"/> Monchem, Inc.
<input type="checkbox"/> Solutia Overseas, Inc.	<input type="checkbox"/> Solutia Inter-America, Inc.
<input type="checkbox"/> CPFilms Inc.	<input type="checkbox"/> Solutia International Holding, LLC
<input type="checkbox"/> Solutia Management Company, Inc.	<input type="checkbox"/> Solutia Taiwan, Inc.
<input type="checkbox"/> Monchem International, Inc.	<input type="checkbox"/> Solutia Greater China, Inc.

**NOTICE OF HEARING ON THE DEBTORS' APPLICATION FOR AN
ORDER APPROVING THE EMPLOYMENT OF ROTHSCHILD INC.
AS FINANCIAL ADVISOR AND INVESTMENT BANKER**

TO: ALL KNOWN CREDITORS OF THE DEBTORS AND THE UNITED STATES TRUSTEE
FOR THE SOUTHERN DISTRICT OF NEW YORK

PLEASE TAKE NOTICE that **Solutia Inc.** ("Solutia") and certain of its affiliates, as debtors
and debtors in possession (collectively, the "**Debtors**"), have filed an Application, dated December 17,

2003¹ pursuant to sections 327(a) and 328(a) of title 11 of the United States Code (the "Bankruptcy Code") seeking an order approving the employment of Rothschild Inc. ("Rothschild") as the Debtors' financial advisor and investment banker, pursuant to the terms of the letter agreement between the Debtors and Rothschild, dated April 1, 2003, as amended by the Amendment Agreement dated as of October 1, 2003 (collectively, the "Engagement Letter").

PLEASE TAKE FURTHER NOTICE that the Honorable Prudence Carter Beatty of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") has entered an Interim Order Approving The Employment Of Rothschild Inc. As Financial Advisor And Investment Banker (the "Interim Order") on an interim basis pending a final hearing on the Application.

PLEASE TAKE FURTHER NOTICE that the final hearing on the Application, originally set by the Interim Order for January 16, 2004, has been adjourned in accordance with the terms of the Application and is now scheduled for **March 3, 2004 at 2:30 p.m.** prevailing Eastern Time at the United States Bankruptcy Court, Room 701, United States Customs House, One Bowling Green, New York, New York 10004.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the Application must be filed and served no later than **February 25, 2004 at 4:00 p.m.** prevailing Eastern Time on (i) Gibson, Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166-0193 (Attn: Conor D. Reilly, Esq.), counsel for the Debtors, (ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Greg Zipes, Esq.), (iii) Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022 (Attn: Frederic L. Ragucci, Esq.), counsel for the agents for the Debtors' postpetition secured lenders, (iv) Akin, Gump,

¹ Capitalized terms used herein without definition shall have the meaning set forth in the Application.

Strauss, Hauer & Feld, LLP, 590 Madison Avenue , New York, New York 10022 (Attn: Daniel H. Golden, Esq.), counsel for official committee of **unsecured** creditors, (v) Debevoise & Plimpton, 919 Third Avenue, New York, New York 10022 (Attn: Michael E. Wiles, Esq.), counsel for Rothschild, (vi) Weil Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: John Rapisardi, Esq.), counsel for the prepetition **ad hoc** committee of Solutia senior secured noteholders and (vii) all persons or entities that have **served and** filed notices of appearance in these chapter 11 cases pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure.

PLEASE TAKE FURTHER NOTICE that any objections to the Application must be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, and shall be filed with the Bankruptcy Court electronically by registered users of the Bankruptcy Court's case filing system (the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court) and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), Wordperfect or any other Windows-based word processing format (in either case, with a hard-copy delivered directly to Chambers).

PLEASE TAKE FURTHER NOTICE that pursuant to the Application, the Debtors seek to retain Rothschild to perform, among others, the following services (collectively, the "Financial Advisory and Investment Banking Services"):

- (a) to the extent deemed desirable by the Debtors, identify and/or initiate potential Transactions² or other transactions;

² As used in the Engagement Letter, the term "**Transaction**" means, collectively: (a) any transaction or series of transactions that effects material amendments to or other material changes in any of the Debtors' outstanding indebtedness, trade claims, leases (both on and off balance sheet) and other liabilities including, without limitation, pursuant to a plan of reorganization (a "Plan") under the Bankruptcy Code; (b) (i) any merger, consolidation, reorganization, recapitalization, financing, refinancing, business combination or other transaction pursuant to which the Debtors (or control thereof) are acquired by, or combined with, any person, group of persons, partnership, corporation or other entity (an "Acquirer") or (ii) any acquisition,

[Footnote continued on next page]

- (b) to the extent Rothschild deems necessary, appropriate and feasible, or as the Debtors may request, review and analyze the Debtors' assets and the operating and financial strategies of the Debtors;
- (c) review and analyze the business plans and financial projections prepared by the Debtors including, but not limited to, testing assumptions and comparing those assumptions to historical trends of the Debtors and industry trends;
- (d) evaluate the Debtors' debt capacity in light of its projected cash flows and assist in the determination of an appropriate capital structure for the Debtors;
- (e) assist the Debtors and their other professionals in reviewing the terms of any proposed Transaction or other transaction, in responding thereto and, if directed, in evaluating alternative proposals for a Transaction or other transaction, whether in connection with a Plan (as defined above) or otherwise;
- (f) determine a range of values for the Debtors and any securities that the Debtors offer or propose to offer in connection with a Transaction or other transaction;
- (g) advise the Debtors on the risks and benefits of considering a Transaction or other transaction with respect to the Debtors' intermediate and long-term business prospects and strategic alternatives to maximize the business enterprise value of the Debtors, whether pursuant to a Plan or otherwise;
- (h) review and analyze any proposals the Debtors receive from third parties in connection with a Transaction or other transaction, including, any proposals for debtor in possession financing, as appropriate;

[Footnote continued from previous page]

directly or indirectly, by an Acquirer (or by one or more persons acting together with an Acquirer pursuant to a written agreement or otherwise), whether in a single transaction, multiple transactions or a series of transactions, of (A) other than in the ordinary course of business, all or substantially all of the assets or operations of the Debtors or (B) any outstanding or newly-issued shares of the Debtors' capital stock or any securities convertible into, or options, warrants or other rights to acquire such capital stock or other equity securities of the Debtors, for the purpose of effecting a recapitalization or change of control of the Debtors; (c) any restructuring, reorganization or similar transaction, whether or not pursuant to a Plan; or (d) any transaction similar to any of the foregoing, in each case as to which Rothschild provided services under the Engagement Letter; *provided*, that the term Transaction shall not include any sale of assets or businesses (including any directly related debt reduction or pay down or extension) with respect to which Rothschild has not been specifically requested by the Debtors to render services and, *provided further*, that none of the following transactions, taken individually, shall be deemed to be a Transaction, it being understood that any of the following transactions or any combination of the following transactions may form a component of a Transaction, and may be effected by or in connection with a Transaction: (i) any changes with regard to the 6.25% 2005 Euro Notes issued by Solutia Europe S.A. which are effected by a meeting or consent of the holders of Euro Notes, (ii) any changes to the Debtors' liability for indebtedness of Astaris, (iii) any change in the secured or unsecured status of any of the Debtors' indebtedness as a result of the applications of "equal and ratable" lien clauses in documents governing such indebtedness, (iv) any waivers of defaults or agreements to forbear entered into by holders of indebtedness of the Debtors, (v) individually negotiated changes to the terms of trade claims against the Debtors or leases or other contracts to which the Debtors are parties, (vi) any waiver of the put provisions by the holders of the Debtors' 6.72% 2037 bonds or (vii) any raise of capital which (a) gives rise to a New Capital Fee (as defined herein) or (b) does not effect a recapitalization of the Debtors.

- (i) assist or participate in negotiations with the parties in interest, including, any current or prospective creditors of, holders of equity in, or claimants against the Debtors and/or their respective representatives in connection with a Transaction or other transaction;
- (j) advise and attend meetings of the Debtors' Boards of Directors, creditor groups, official constituencies and other interested parties, as requested;
- (k) if requested by the Debtors, participate in hearings before the Bankruptcy Court and provide relevant testimony with respect to the matters described herein and issues arising in connection with any proposed Plan; and
- (l) render such other financial advisory and investment banking services as are customarily provided or may be agreed upon by Rothschild and the Debtors in connection with any of the foregoing.

PLEASE TAKE FURTHER NOTICE that, if its retention is approved, Rothschild will, unless such terms prove to have been improvident in light of developments not capable of being anticipated at the time of the hearing, be entitled to receive the following compensation:

- (a) A monthly cash advisory fee (the "Monthly Fee") of \$200,000 per month, whether or not a Transaction is proposed or consummated. The Monthly Fee shall be payable by the Debtor in advance on the first day of each month.
- (b) A "Completion Fee" of \$6,750,000 payable in cash upon the earlier of (A) the confirmation and effectiveness of a Plan or (B) the closing of another Transaction; provided, that Rothschild shall credit against the Completion Fee: (X) 50% of the Monthly Fees paid in excess of \$600,000, which credit shall not exceed \$3,000,000; (Y) 30% of any New Capital Fees (defined below) paid; and (Z) to the extent not otherwise applied against the fees and expenses of Rothschild under the terms of the Engagement Letter, the Retainer; provided that the sum of such credits shall not exceed the Completion Fee.
- (c) A "New Capital Fee" if Rothschild is specifically requested by the Debtors, in writing, to provide relevant services with regard to raising of capital for the Debtors, at the closing of any such capital raise, Rothschild shall be paid a New Capital Fee as follows: (A) \$5,000,000 upon the closing of a senior secured debt facility, provided that Rothschild shall be entitled to receive only one fee under this clause (A) during the term of its engagement hereunder; (B) 3% of the face amount of any junior secured or senior or subordinated unsecured debt; and (C) 6% of any equity or hybrid capital raised which does not result in a recapitalization or change in control of the Debtors; and
- (d) To the extent the Debtors request Rothschild to perform additional services not contemplated by the Engagement Letter, such additional fees as shall be mutually agreed upon by Rothschild and the Debtors, in writing, in advance.

PLEASE TAKE FURTHER NOTICE that if the Application is granted, the Debtors will indemnify and hold Rothschild harmless against liabilities arising out of or in connection with its retention by Debtors except for any such liability for losses, claims, damages or liabilities incurred by the Debtors that are finally judicially determined by a court of competent jurisdiction to have primarily resulted from the bad faith, self-dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct of Rothschild.

PLEASE TAKE FURTHER NOTICE that the foregoing summary of certain elements of the retention is not complete and that the full terms of the retention are contained in the Application and the Engagement Letter, which are available for inspection at the clerk's office for the Bankruptcy Court and on the Bankruptcy Court's Internet site at www.nysb.uscourts.gov, through an account obtained from PACER Service Center by registering at www.pacer.psc.uscourts.gov. In addition, the Application and the Engagement Letter are also posted at www.trumbullgroup.com. To the extent that the summary of the retention terms set forth in this notice conflict with the terms of the Engagement Letter, the terms of the Engagement Letter control.

Dated: January 15, 2004
New York, New York

Respectfully submitted,

/s/ Conor D. Reilly
Richard M. Cieri (admitted *pro hac vice*)
Conor D. Reilly (CR-6559)
M. Natasha Labovitz (MNL-5153)
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